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STATE PASS AID FOR LAC/CAR
TREASURY FOR ALLEN RODRIGUEZ, GREGORY BERGER, WILLIAM
BALDRIDGE, LARRY MCDONALD
USDOC FOR 4322/ITA/MAN/WH/OLAC (SMITH, S.)

E.O. 12958: N/A

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SUBJECT: Grupo M Update: Source of the Problem

REFA: Port au Prince 1366

REFB: Port au Prince 0234

1. Summary: As described in reftels, a long-standing labor dispute between Dominican manufacturer Grupo M and workers in Ouanaminthe was recently settled. According to Yannick Etienne, a labor representative, the fight has its origins in the closed-door negotiations that established the Free Trade Zone (FTZ). The farmers were left out of the negotiating process until the day of the FTZ ground breaking ceremony in 2002, when they were told their land was being expropriated. Grupo M eventually published a social compensation plan in 2003, however, it came too late for the farmers whose land was already gone, and whose suspicions of the Dominicans were already aroused. Grupo M's experience is instructive for foreign investors in Haiti. Government contracts are often made informally and are rife with opportunities for corruption. End Summary

2. According to Yannick Etienne, a representative of the left-leaning workers' rights group Batay Ouvriye, many of Grupo M's problems in Ouanaminthe (on Haiti's northeast border with the Dominican Republic) originate in Grupo M's negotiations to establish the Ouanaminthe free trade zone (FTZ). Etienne said that many of Grupo M's initial dealings with former President Aristide's administration happened behind closed doors, which alienated the people of Ouanaminthe.

3. Etienne claimed that the farmers whose land was expropriated to make the FTZ were not notified until the day ceremonial ground breaking on April 8, 2002. In addition, she said, there is no definitive list of the farmers whose land was expropriated, and there is an on-going dispute between Grupo M and Haitians who claim they were never compensated for their land. Etienne's claims, while echoed by other unions, are not reflected in press coverage at the time or by Grupo M's accounts of the process. However, the ceremonial groundbreaking in April 2002 happened before both the passage of the FTZ legislation in July 2002 and the publication of the Company for Industrial Development's (CODEVI) Social Compensation Plan in June of 2003. The timing of the groundbreaking, the FTZ legislation passage, and the publication of the social compensation plan lend credence to Etienne's claim that farmers were left out of the process.

4. In June 2003, in response to the outcry from the farmers, CODEVI and Grupo M published and put into action a social compensation plan. Through meetings publicized by loudspeakers on cars Grupo M successfully incorporated many Haitians living in Ouanaminthe in the resettlement process. The plan provided education, land, potable water, and training to the farmers. However, according to Etienne, the plan came too late; the Aristide Administration's closed-door dealings with Grupo M set a bad tone, which workers and citizens in Ouanaminthe have not forgotten.

5. Further, according to Etienne, though the Aristide administration and Grupo M were equally responsible for the opacity of the initial FTZ negotiations, Grupo M took most of the blame because Haitians historically do not trust Dominicans. Grupo M's subsequent actions, using the Dominican Army to secure the FTZ in February 2004 and a vaccination campaign that some Haitians in Ouanaminthe believe gave recipients reproductive problems, further aroused the ire of Haitians suspicious of the Dominican company.

6. Comment: Grupo M's closed-door dealings with the Aristide administration and their subsequent troubles are a familiar refrain of businesses that have been burned making back-room deals with Haitian governments. Unfortunately, this trend continues. Companies have tried to get a leg-up on the competition by seeking to secure contracts with the

Interim Government of Haiti (IGOH) without going through a tender process, and occasionally even operate without contracts for long periods of time. The IGOH's continued informal treatment of contract negotiation encourages this practice, and opens the way for corruption. End Comment.